

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-01 TRSE-00 FRB-03 FEA-01 PA-01 PRS-01 USIA-06

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4299

C O N F I D E N T I A L LIMA 2091

E.O. 11652: GDS

TAGS: ENRG, PFOR, EGEN, PE

SUBJ: PERUVIAN OIL RESERVES - LESS THAN MEETS THE
MINISTER'S EYE

REF: LIMA 1945, 1821

1. FERNANDO ZUNIGA, PETROPERU'S PRODUCTION MANAGER, INFORMED AN EMBASSY OFFICER ON MARCH 12 THAT GENERAL FERNANDO MALDONADO'S ESTIMATE OF 2.1 BILLION BBLs. OF PROCED RESERVES (SEE LIMA 1945) IS GREATLY IN EXCESS OF PETROPERU'S OWN CRUDE RESERVE FIGURES. ZUNIGA EXPLAINED THAT PETROPERU, USING AN HISTORIC DRILLING SUCCESS RATIO OF ONE TO TEN, ESTIMATED THAT BY THE END OF 1976 PERU WOULD HAVE 1.2 BILLION BBLs. AND HAD SO INFORMED THE MINISTRY OF ENERGY AND MINES IN PREPARATION FOR THE MINISTER'S MARCH 6 SPEECH. HOWEVER, DISREGARDING PETROPERU'S ADVICE, THE MINISTER WENT AHEAD AND "GUESS-TIMATED" PERU'S RESERVES AT THE 2.1 BILLION FIGURE, USING A DRILLING SECESS RATIO OF "ONE TO FOUR," WHICH ZUNIGA SAID IS CLEARLY UNREALISTIC. ZUNIGA HAD NO EXPLANATION FOR THE MINISTER'S FIGURE, EXCEPT TO SAY THAT FERNANDEZ MALDONADO WANTED TO PAINT AS FAVORABLE
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A PICTURE AS POSSIBLE.

2. ZUNIGA ALSO SAID THAT THE MMINISTER'S ESTIMATE OF PERU'S PRODUCTION REACHING 330,000 B/D BY 1978, PREVIOUSLY UNREPORTED, IS NOT CORRECT, SINCE BELCO AND PETROPERU'S TELARA PRODUCTION WILL BE ONLY 80,000 B/D (PRESENT AMOUNT) AND THAT OXY AND PETROPERU'S JUNGLE FIELDS WILL NOT BE PRODUCING MORE THAN 150,000 B/D TOGETHER UNTIL AFTER 1978. HE DID SAY THAT IT IS POSSIBLE FOR PERU TO BE PRODUCING THE 330,000 B/D FIGURE BY 1980 IF OXY'S AND PETROPERU'S FIELDS PROVE OUT AS PLANNED.

3. ZUNIGA SAID THAT UNION HAS DRILLED THREE DRY HOLES BUT HAS NOT YET MADE A DECISION WHETHER TO WITHDRAW FROM PERU. THEY ARE SEEKING AN ADDITIONAL PARTNER WHO WOULD BE WILLING TO FINANCE FURTHER DRILLING, BUT APPARENTLY DO NOT WISH TO DO SO ON THEIR OWN. BP, WITH FOUR DRY HOLES, WILL PROBABLY BE PULLING OUT IN 1975. FURTHER DOWN THE ROAD, NEITHER ARCO NOR AMOCO HAVE VERY GOOD PROSPECTS AND HE EXPECTS THEY MAY FINISH UP THEIR DRILLING AND DEPART BY EARLY 1976.

4. COMMENT: ZUNIGA, CLEARLY IRRITATED BY THE MINISTRY OF MINES CASUAL USE OF FIGURES, SAID THAT THE MINISTER'S SPEECH WAS REplete WITH SMALL ERRORS AND TECHNICAL MISSTATEMENTS, ALTHOUGH MOST OF THE GENERAL MAGNITUDES PRESENTED WERE ACCURATE, WITH THE EXCEPTION OF THE TOTAL RESERVE FIGURE. ZUNIGA ALSO CONFIRMED OUR EARLIER CONCLUSION THAT THE 65,300 B/D AND 65,200 B/D FIGURES FOR OXY AND PETROPERU ARE START-UP FIGURES AND NOT FULL PRODUCTION ESTIMATES, BASED ON FURTHER EXPECTED RESERVES THAT STILL REMAIN TO BE DISCOVERED. THESE FIGURES ALSO TEND TO CONFIRM VICE MINISTER TORD'S JUDGMENT (LIMA 1821) THAT PERU WILL NOT BE A SUBSTANTIAL NET EXPORTER OF CRUDE OIL FOR SEVERAL YEARS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, PETROLEUM RESERVES, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA02091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750090-1031
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750350/aaaabtbk.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 LIMA 1945, 75 1821
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by WorrelSW>; APPROVED <20 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PERUVIAN OIL RESERVES - LESS THAN MEETS THE MINISTER'S EYE
TAGS: ENRG, PFOR, EGEN, PE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006